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To: Freman Hendrix
Chief Executive Assistant to the Mayor

CC: Detroit City Council Members,
DRMS Steering Committee Members

From: Joseph L. Harris, CPA
Auditor General

Subject Selection Process for Human
Resources/Payroll Computer System, and
Financial Computer System

The purpose of this memorandum is to provide you with my observations and related suggestions concerning the selection process for the new computer systems being considered for the City of Detroit.

The RFP development process is of such importance that any errors or omissions occurring during this process could negatively affect the entire project and, consequently, the selection of the system resulting from this process. The systems we are contemplating may be the City's systems for the next twenty or thirty years. Because of the long-term consequences of our actions during this process and the immense costs, it is critically important that we make every effort, within reason, to develop a product that meets both the current and future needs of the City.

It is with this understanding that I am recommending that additional time be devoted to this effort. The current plan to develop RFPs by March risks unsatisfactory results we can avoid by extending the target dates up to six months and taking the additional measures that I describe herein.

If properly planned, in six months the City can have documented reengineered processes, proposals for new software, and Best in Breed vendors selected for the new processes.

Interoffice Memo



Following are the potential benefits of this additional time:

First, as a result of time factors, the project, as currently planned, is being compromised. For example, due to time constraints, we have canceled some interviews planned to determine user requirements and desires. We have eliminated Best Practice research and benchmarking due to time constraints. These compromises risk the development of a second rate system.

Second, the current RFP process is identifying information system needs to support the current business processes. These processes have evolved to accommodate the lack of functionality in the current data processing systems. During the time we are developing the RFPs, we should be defining the reengineered processes (not mere improvements to our current processes) the new computer system will be required to accommodate. To develop the reengineered processes after determining the required technology is letting technology dictate function rather than the reverse. Designing the reengineered processes prior to drafting the RFPs provides for Best Practice measures to be incorporated into the system requirements, thereby clearly articulating the specifications for the desired technology.

Third, the process of developing the RFPs can result in benefits far exceeding the RFPs alone. For example, as a part of the process of developing the RFPs, the City could invite the various software firms to describe and demonstrate their packages. The vendors, in effect, would assist us in determining Best Practice concepts. We could, then, develop the RFPs to incorporate the most desirable qualities of each of those packages into the City's requirements for our new package.

Fourth, by identifying new information system requirements before the implementation process has begun, we reduce the identification of new requirements after a contract is signed. The City has had many projects that have had major budget overruns as a result of major changes in requirements.

Fifth, during the business process reengineering (BPR) design phase, some process improvements can be implemented resulting in our deriving benefits before the new system is installed.

Sixth, the RFPs would be produced as a by-product of the BPR effort. The cost of this type of project would be slightly more than the costs of the current RFP contract, but would result in immediate process improvements, more focused RFPs, and, probably, a lower total project cost.

Finally, poor decisions during this phase not only delay our achievement of our goals, but also increase the risk of failing to achieve the goals at all.

Interoffice Memo



I understand your rationale for accelerating this project. There is a definite need to accelerate the pace of reforms while maintaining the quality of the end product. However, it is critically important that, in our haste to rid ourselves of intolerable systems, we avoid the mistakes of the past. We should learn from our mistakes and successes and the mistakes and successes of others. Although it is important that we avoid the "paralysis of analysis," it is critical that we do not make the mistake of "paving the cow path". We need to take the time to redesign our processes for the twenty-first century. And, what better time than now?

I am, therefore, making the following recommendations:

- Hire a project manager to oversee the entire project -- beginning with the **design of the new processes**; continuing with the **development of the RFPs** for the computer systems to be acquired; continuing further, with the decision-making process to **select the new systems**; and concluding with the **implementation of the Systems, including training of City personnel**. We do not have a good base internally to develop the RFP requirements for the functionality of the system. The project manager we select should have a track record with a **demonstrated** ability to handle a municipal system development project of this magnitude **including the reengineering**. This project manager should be capable of lending Best Practice concepts to the development of the RFPs. It is important to understand that we do not have all the answers -- and that's OK. We need to hire the expertise to reengineer our processes, assist us in developing the RFPs, evaluate the RFPs, and oversee the entire project including implementation of the new system and the training of the appropriate City personnel.
- Define the reengineered processes **prior** to determining the system to be acquired. The most effective time to reengineer is prior to drafting the RFPs - - not after the technology is determined, and not during the installation phase. The business process reengineering (BPR) should precede the RFPs for the technology. Our desire to expedite the implementation of the new system has caused the omission of this key element from our game plan. Our first RFP should include **BPR, not software**. The vendors' proposals should identify reengineering opportunities. The second RFP should require the respondents to define how their technology will address these new processes and also how their systems can enhance these processes. **The reengineering work defines the RFP for the new system**. We should totally define the new processes prior to acquiring the software.



Interoffice Memo

The methodology I am recommending will require additional costs up front. However, by incurring these costs, we are purchasing an insurance policy that precludes the wasting of millions of taxpayer dollars and thousands of man hours. We have had too many failures not to have learned valuable lessons. We need to ensure that we do it right this time. We must avoid acquiring packages requiring significant modifications costing millions of dollars to adapt the packages to our needs as occurred with the Police Department software and the Payroll software. We must avoid the acquisition of packages that require that we adopt processes which the software dictates. The function must dictate the technology...not vice versa

The current game plan risks the acquisition of systems before we adequately complete our research. Following is a summary of the potential consequences of the current plan of action.

- processes that are based on the technology, rather than technology based on Best Practice processes for the City;
- the selection of a system which does not adequately meet our future needs, thereby requiring costly modifications that could have otherwise been avoided.
- continued acceptance of less than satisfactory performance due to system deficiencies.
- payment for requirements that we may not need after the reengineering process.

Reengineering involves the radical redesign of our current processes. Our current processes require radical redesign rather than minor modification. Our current plan provides for minor modifications of the current inefficient processes, not reengineering.

As previously stated, by reengineering first, we can incorporate more requirements into the competitive bidding process. And, of course, the more requirements included in the RFPs, the more likely the new system will meet our needs.

Admittedly, almost anything we acquire will necessarily be infinitely better than our current system. However, since this type of acquisition typically occurs only once every twenty or thirty years, we will be losing a major opportunity to radically change the way we do things. Proper identification of Best Practice and future requirements can, not only provide increased assurance of providing the users and management the timely and useful information needed to enhance the efficiency and effectiveness of government, but also can save our taxpayers millions of dollars over the long term. The most costly systems are those acquired without the proper investment in up front dollars and



Interoffice Memo

research. Saving time and dollars now will likely mean higher costs to the City in the long run.

The current efforts to purchase new Human Resources/Payroll, and Financial Systems should emphasize the City's functional requirements and ask the vendors to propose technology solutions that would fit the general direction of the Information Technology Systems' Strategic Plan. Using this approach, the City may receive proposals that contain different technologies that would be beneficial to the City. Accordingly, this approach would permit the City to pick software that first best meets our information requirements and also provides a technology solution that fits in the City's long-range plans. In short, we should let functional needs drive our decisions...not technology.

Finally, we cannot afford not to spend the time to do this right, i.e., documenting the new processes; requesting proposals for software to automate the new processes; and selecting a vendor based on the reengineered processes. .

To summarize my recommendations, I urge you to:

- Extend the target date for the development of the RFP for the technology.
- Hire a project manager to manage the entire process, to provide reengineered processes, to assist in the development of the RFP for the technology, and to provide training to the appropriate City personnel for the resulting system.
- Complete the required interviews and research prior to issuing the RFP for the technology.
- Document the reengineered processes prior to issuing the RFP for the technology.
- Take advantage of the vendors' assistance to develop the RFP for the technology.
- Incorporate Best Practice concepts in the RFP requirements

By acting on these recommendations immediately, we will lay the groundwork to have software vendors for reengineered processes by the end of September. Considering the length of time the City has put up with the current system, and considering the length of time the City will benefit from the new system, six additional months is a small price to pay to bring Best Practice processes and technology to the City of Detroit.

I welcome an opportunity to discuss these issues with you and/or your staff.